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Ratepayer Advocate Questions Reasonableness of Rural Community Natural Gas Rates

Salt Lake City, UT – Utah's residential and small commercial utility consumer advocate, the Committee of Consumer Services, has determined that GSS and Extended Area Charge (EAC) rates for natural gas service in rural areas do not now appear to be just and reasonable. Furthermore, the Committee has determined that any revenue impacts stemming from changing those rates should be fully considered in a general rate case before the Utah Public Service Commission (Commission).

The Committee has two major concerns with Questar Gas Company's proposal to remove GSS and EAC rates from Questar Gas Company's Tariff. One concern is the accuracy of the \$1.7 million that Questar has requested be rolled-in to the standard GS-1 customer rate to recover the unpaid expansion costs incurred since the mid 1980s. Another concern is that Questar proposes to permanently include the \$1.7 million annual charge in standard GS-1 customer rates, whereas the time period was limited in the EAC and GSS rates.

On January 5, 1987, the Commission issued an order approving the Utility to extend natural gas service to nine communities in Utah and Idaho and charge customer in those communities a "GSS" rate that was double the standard GS-1 rate. Based on the cost estimate of the expansion, the GSS rates were charged to these customers for a period of 10 years. Subsequently, once the GSS expansion charges were paid off these customers were moved onto the GS-1 rate schedule.

Later, a second wave of GSS rates were approved by the Commission in connection with additional expansion needs. Customers in these areas have been paying the GSS rates for approximately 13 years, with an expiration date of 2013. In addition, the Commission approved an application by Questar for a new EAC Tariff that supplanted the GSS rates for extending service to new areas. The EAC differed from GSS rates in that the Company collected a fixed amount of expansion costs over time as a separate monthly surcharge that was assessed on EAC customers' bills. Of the 10 communities taking service from Questar under its EAC Tariff, only one community has paid off its EAC loan.

“Before any treatment of remaining costs associated with the GSS and EAC rates can be considered, an accurate accounting of revenues generated from these rates needs to be established,” said Committee Director Michele Beck. “And, the Committee maintains that a detailed and thorough review of this matter can only appropriately occur in a general rate case.”

The Committee also discussed Questar’s proposal for future extensions of utility service. How to fund expansions of natural gas service into existing communities is an issue that requires considerable study to avoid recreating the problems that the GSS and EAC tariffs caused. A general rate case is also the only appropriate way to examine this issue as well.

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